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GATEHOUSE FOUNDATION, INC.
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORTS

June 30, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date SEP 15 1999

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Gatehouse Foundation, Inc.
Lafayette, Louisiana

We have audited the accompanying statement of financial position of Gatehouse Foundation, Inc. (Gatehouse) (a not-for-profit corporation) as of June 30, 1999, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Gatehouse's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gatehouse as of June 30, 1999, and the changes in net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 20, 1999, on our consideration of Gatehouse's internal control over financial reporting and our test of compliance with certain provisions of laws, regulations, contracts, and grants.



Moore & Rolfes
Lafayette, Louisiana
August 20, 1999

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

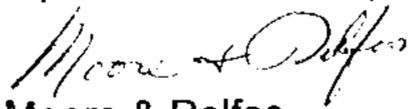
To the Board of Directors
Gatehouse Foundation, Inc.
Lafayette, Louisiana

We have audited the financial statements of Gatehouse Foundation, Inc. (Gatehouse) (a not-for-profit corporation) as of and for the year ended June 30, 1999, and have issued our report thereon dated August 20, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the Louisiana Governmental Audit Guide.

COMPLIANCE As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Gatehouse's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING In planning and performing our audit, we considered Gatehouse's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management, the Louisiana Department of Health and Hospitals, Office of Human Services, Division of Alcohol and Drug Abuse as licensing agency for Gatehouse and the local Board of United Way. However, this report is a matter of public record, and its distribution is not limited.



Moore & Rolfes
Lafayette, Louisiana
August 20, 1999

GATEHOUSE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION

June 30, 1999

ASSETS

CURRENT ASSETS

Cash	\$ 4,647	
Prepaid expenses	996	
Accounts receivable - contract (Notes A & B)	11,275	
Grants receivable (Notes A & B)	<u>17,500</u>	
Total Current Assets		\$ 34,418

PROPERTY AND EQUIPMENT - AT COST
(Note A, C)

Land	87,000	
Building	42,575	
Furniture and fixtures	24,382	
Equipment	29,901	
Building renovations	<u>27,739</u>	
	211,597	
Less: accumulated depreciation	<u>(81,140)</u>	
Net Property and Equipment		130,457

OTHER ASSETS

Deposits		<u>2,101</u>
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TOTAL ASSETS \$ 166,976

The accompanying notes are an integral
part of this statement.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued payroll taxes	1,811	
Note payable (Note C)	3,640	
United Way payable	95	
State contract advance	1,143	
Deferred Revenue (Note A)	<u>10,000</u>	

Total Current Liabilities \$ 16,689

LONG-TERM LIABILITIES

Long-term debt, net of current portion (Note C)		<u>3,301</u>
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Total Liabilities 19,990

NET ASSETS (Note A)

Unrestricted	146,986	
Temporarily restricted	<u>—</u>	

Total net assets 146,986

TOTAL LIABILITIES AND
NET ASSETS

\$ 166,976

The accompanying notes are an integral
part of this statement.

GATEHOUSE FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 1999

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Public Support and Revenue:			
Revenue from State contract (Notes A & B)	\$ 135,851	\$ -	\$ 135,851
United Way of Acadiana (Notes A & B)	15,000	-	15,000
Consolidated Government of Lafayette (Note B)	18,348	-	18,348
Client rents (Note D)	11,422	-	11,422
Donations	715	-	715
CFC Distribution Funds	53	-	53
Miscellaneous	336	-	336
Fundraising	<u>1,155</u>	<u>-</u>	<u>1,155</u>
 Total public support and revenue	 182,880	 -	 182,880
Expenses:			
Program services:			
Dietary	23,060	-	23,060
Physical plant	24,178	-	24,178
Supervision	<u>67,427</u>	<u>-</u>	<u>67,427</u>
 Total program services	 114,665	 -	 114,665
Supporting services:			
Management and general	74,998	-	74,998
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>
 Total supporting services	 <u>74,998</u>	 <u>-</u>	 <u>74,998</u>
 Total expenses	 <u>189,663</u>	 <u>-</u>	 <u>189,663</u>
 Change in net assets	 (6,783)	 -	 (6,783)
 Net assets, beginning of year	 <u>153,769</u>	 <u>-</u>	 <u>153,769</u>
 Net assets, end of year	 <u>\$ 146,986</u>	 <u>\$ -</u>	 <u>\$ 146,986</u>

The accompanying notes are an integral part of this statement.

GATEHOUSE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 1999

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Bank charges	-	79	79
Benefit functions	1,817	-	1,817
Contract labor	-	6,608	6,608
Depreciation (Note A)	9,333	-	9,333
Dietary contract	1,020	-	1,020
Donations	-	236	236
Drug Abuse Programs Fees	1,120	-	1,120
Employee benefits	-	325	325
Food	20,762	-	20,762
Insurance	14,227	-	14,227
Interest	-	827	827
Legal, accounting & auditing	-	6,100	6,100
Medical contract	1,278	-	1,278
Miscellaneous	-	162	162
Office supplies	-	2,748	2,748
Payroll taxes	4,598	3,065	7,663
Permits and licenses	-	650	650
Postage	-	200	200
Repairs and maintenance	5,418	1,031	6,449
Salaries	43,433	44,208	87,641
Subscriptions	421	-	421
Supplies	1,326	-	1,326
Telephone	-	4,759	4,759
Training - in service	485	-	485
Travel	-	-	-
Utilities	9,427	-	9,427
Vehicle operations	<u>-</u>	<u>4,000</u>	<u>4,000</u>
	<u>\$ 114,665</u>	<u>\$ 74,998</u>	<u>\$ 189,663</u>

The accompanying notes are an integral
part of this statement.

GATEHOUSE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 1999

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets – (decrease)		\$ (6,783)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	\$ 9,333	
(Increase) in prepaid expenses/advances	(996)	
(Increase) in accounts receivable	(25)	
(Increase) in grants receivable	(3,652)	
Decrease in client receivable	94	
Decrease in employee advance	25	
(Decrease) in accounts payable	(1,614)	
Increase in United Way payable	271	
Increase in accrued payroll taxes	39	
(Decrease) in state contract advance	(454)	
Increase in deferred revenue	<u>3,652</u>	
Total adjustments		<u>6,673</u>
Net cash used by operating activities		(110)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(8,069)	
In-kind donations to property and equipment	<u>-</u>	
Net cash (used) by investing activities		(8,069)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from insurance debt	3,180	
Payments on insurance debt	(2,862)	
Payment on line of credit debt	<u>(3,177)</u>	
Net cash (used) by financing activities		<u>(2,859)</u>
Net decrease in cash		(11,038)
Cash at June 30, 1998		<u>15,685</u>
Cash at June 30, 1999		<u>\$ 4,647</u>

Supplemental disclosure:
Interest paid amounted to \$827

The accompanying notes are an integral part of this statement.

GATEHOUSE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

June 30, 1999

Note A - Nature of Activities and Summary of Significant Accounting Policies

Nature of activities

Gatehouse Foundation, Inc. operates a private, non-profit, residential (fifteen beds), educational and rehabilitation program for persons recovering from alcoholism and other chemical dependencies. The halfway house facility provides extended care to chemically dependent males and females in a supervised living environment. The purpose of the program is to assist the resident in developing a healthy transition back into the community via counseling and therapeutic support. As provider, Gatehouse must allow a sliding fee scale policy, and must not refuse services to persons on account of race, religion, sex or ability to pay. The primary source of funding for this program is a contract with the State of Louisiana, Department of Health and Hospitals, Office of Human Services, Division of Alcohol and Drug Abuse, through a Federal Block Grant. Gatehouse is licensed by the Louisiana Department of Health and Hospitals. Under this license, Gatehouse agrees to provide room and board, individual and group counseling and peer support in a structured therapeutic environment.

Financial Statement Presentation

Effective for fiscal year ended June 30, 1996, Gatehouse began the application of the new accounting standards as prescribed by SFAS 117, Financial Statements of Not-for-Profit Organizations. Under SFAS 117, Gatehouse is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, Gatehouse is required to present a statement of cash flows. As permitted by this new statement, Gatehouse has altered its use of fund accounting (for reporting purposes) and has, accordingly, reclassified its financial statements to present the three classes of net assets required.

Continued

Gatehouse has only unrestricted and temporarily restricted classes. The reclassification had no effect on the change in net assets for the fiscal year ended June 30, 1999.

Contributions

Effective for fiscal year ended June 30, 1996, Gatehouse began the application of the new accounting standards as prescribed by SFAS 116, **Accounting for Contributions Received and Contributions Made**. In accordance with SFAS 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under SFAS 116, such contributions are now required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration or expenditures of the funds. In effect, the recognition of this as support occurs at the receipt of the award, regardless of when the money is spent.

Deferred Revenue – Grants and Exchange Transactions

Some grants are actually "exchange transactions" that do not qualify as contributions under SFAS 116. In such cases, revenue is not recognized until the services required by the grant are rendered. Until the revenue is recognized, any cash or grant receivable asset must be offset by a "deferred or unearned revenue" liability. These exchange transactions differ from contributions in that the method or type of services rendered is stipulated by the granting authority and not by the nonprofit organization.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated absences

Under SFAS 43, an employer generally is required to accrue a liability for employees' rights to receive compensation for future absences. The amount of the compensation is not reasonably estimable and, therefore, no such liability has been accrued. However, any unrecorded amounts at June 30, 1999 would be immaterial.

Functional expenses

Expenses are charged to the program based on direct expenditures incurred. Any expenditures not directly chargeable are allocated to a program based on related salary expenses, or other appropriate method.

Continued

The statement of functional expenses lists both program service expenses and management expenses by natural classifications.

Income tax status

The organization qualifies as a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes.

Property and equipment

Property and equipment purchased is recorded at cost; the fair market value of donated assets is similarly capitalized and the donation recorded as restricted or unrestricted support. Depreciation is computed on the straight-line method over the estimated useful lives of the individual assets, ranging from five to twenty years.

Grants and contract revenue

Grants and contract revenue received that was of a cost reimbursement nature is recognized as revenue at the time the cost is incurred for the purpose for which the revenue was billed. Unreceived amounts from previously awarded grants are recorded as grants receivable.

Accrual Basis of Accounting

The books are routinely maintained on a cash basis and are converted to the accrual basis at year-end for these financial statements. Accrual basis accounting records revenue when earned rather than when received and records expenses when incurred rather than when paid, in accordance with generally accepted accounting principles.

Cash Equivalents

For purposes of the statement of cash flows, Gatehouse considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Continued

Note B - Federal, State and Local Financial Assistance and Grant Awards

<u>Grantor/Program Title</u>	<u>Amount Earned</u> <u>Y/E June 30, 1999</u>
State of Louisiana, Department of Health and Hospitals, Office of Human Services, Division of Alcohol and Drug Abuse (through a Federal Block Grant)	\$ <u>136,875</u>
United Way of Acadiana	\$ <u>15,000</u>
Consolidated Government of Lafayette	\$ <u>22,000</u>

The aforementioned contract with the State of Louisiana is operated on a per diem reimbursement basis. The 1998-99 contract was renewed for 99-2000 for a maximum reimbursement of \$136,875, effective July 1, 1999. This represents a per diem of \$25 for 15 beds.

The aforementioned grants from the United Way of Acadiana and the Consolidated Government can be used for operational expenses.

Note C - Note Payable - Iberia Bank

The Board of Directors approved a \$50,000 line of credit from Iberia Bank in January, 1995, for renovations of the women's house. The balance at June 30, 1999 is \$6,623, with interest accruing at 9.875% per year. The balance of the current liability is \$3,322 and the balance of the long-term liability is \$3,301. Monthly payments are \$333.64, including principal and interest. The note is collateralized with a first mortgage on the Gatehouse buildings.

Maturities of long-term debt are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2000	\$ 3,322
2001	3,301
2002	-0-
2003	-0-
2004 and after	<u>-0-</u>
	\$ <u>6,623</u>

Continued

Note Payable – Insurance

An insurance policy was financed for ten months. The balance at June 30, 1999 is \$318, which is the final payment due.

Note D - Client Rent

The organization, as part of their recovery program for the residents as well as a source of income, charges and collects rent on a weekly, sliding scale basis. Rental revenue of \$11,422 reflected in the financial statements is recorded on the cash basis. Because rent is collected weekly any adjustment to the accrual basis is deemed immaterial.

Note E - Donated Materials

Donated materials are reflected as In-kind donations in the accompanying statements at their fair market value.

Note F - Contributed Services

Effective for the fiscal year ended June 30, 1996, Gatehouse began the application of the new accounting standards as prescribed by SFAS 116 and 117. Accordingly, contributed services of volunteers shall only be recognized in the statement of activities if the services received:

- a) Create or enhance non-financial assets (land, buildings, etc.); or,
- b) Require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. No amounts have been reflected in the statements for volunteer services.

Note G - Concentrations

Approximately 75% of Gatehouse's support was provided by revenue from the state contract. The new contract for 1999-2000 has been approved for the same amount, and the DHH license has been renewed.

Note H - Subsequent Events

Subsequent to the balance sheet date, the state authorized a contract for \$136,875. This represents a per diem rate of \$25 for 15 beds authorized. The actual amount realized from the contract will be determined by occupancy during the contract year.

Concluded